

**Audit, Finance and Risk Committee Presentations**  
**Thursday, 24 February 2022**  
**Office of the Auditor-General**  
**Sector Manager, Hugh Jory**

Item 7.4: Office of the Auditor-General Long-Term  
Plan Consultation Document Report

Item 7.5: Office of the Auditor-General Risk  
Management Report

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Plan Consultation Document Report



# Consulting matters: Observations on the 2021-31 consultation documents

# What I will cover today

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- What we saw in our reviews of the 2021-31 consultation documents.
- The audit reports we issued.

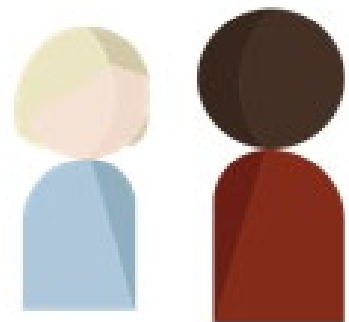


# What makes an effective consultation document?

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- Highlights issues and options and how these affect communities.
- Includes well-designed questions.
- Gives the key elements of the council's financial and infrastructure strategies as context for long-term plans.
- Balances contextual information with the issues being consulted on.
- Is written in plain English.
- Includes tables, diagrams, and infographics in an easy-to-follow structure.
- Provides tips on how to read the information and clear indications of where to find the relevant underlying information.



# What we saw in 2021-31: clear messaging



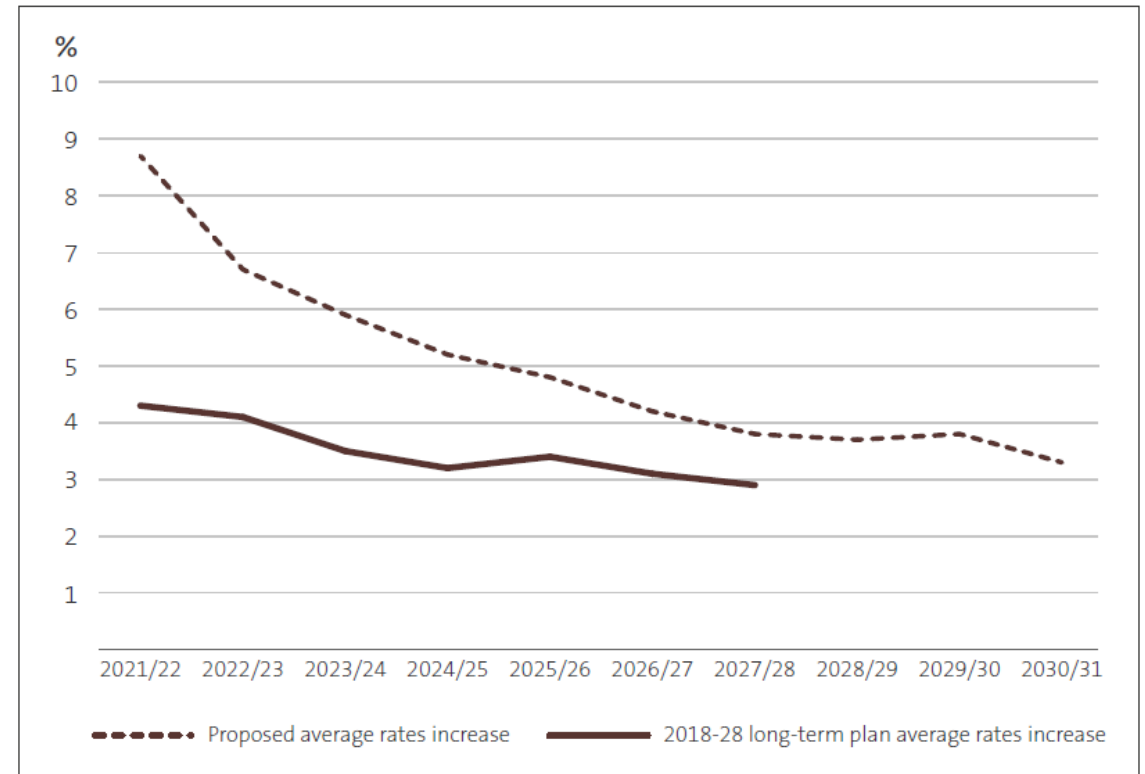
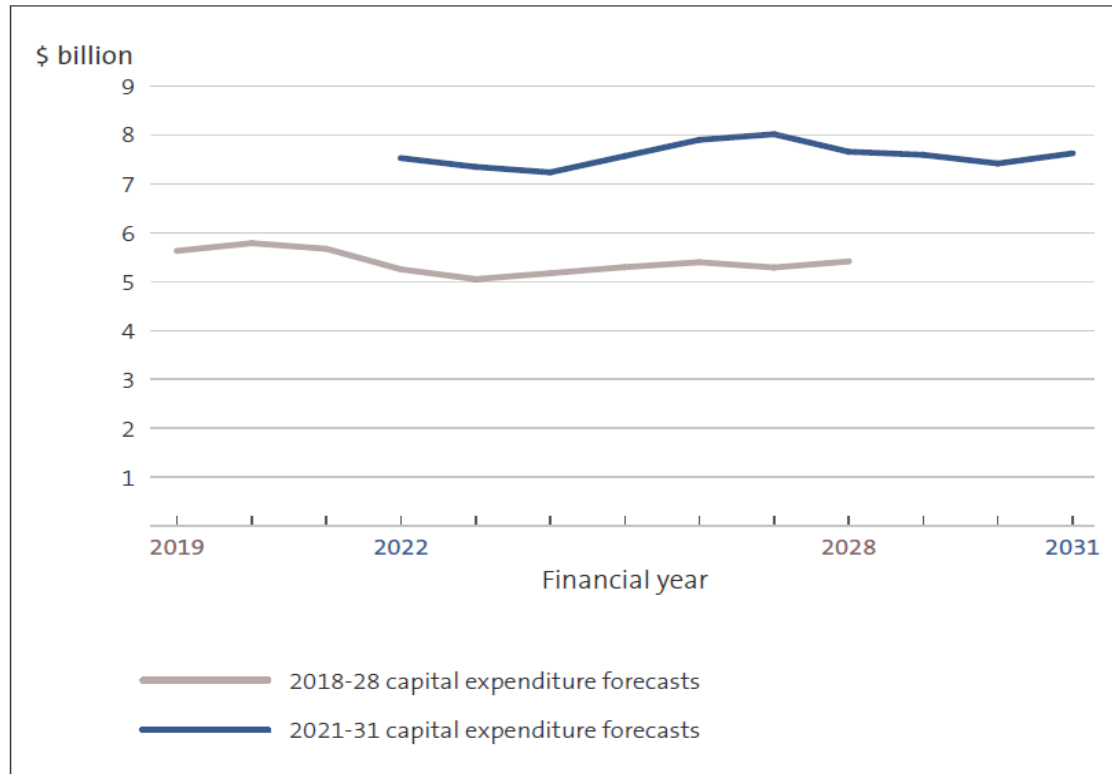
Councils were increasingly clear with their communities about the challenges they were facing.



# What we saw: increasing expenditure and costs



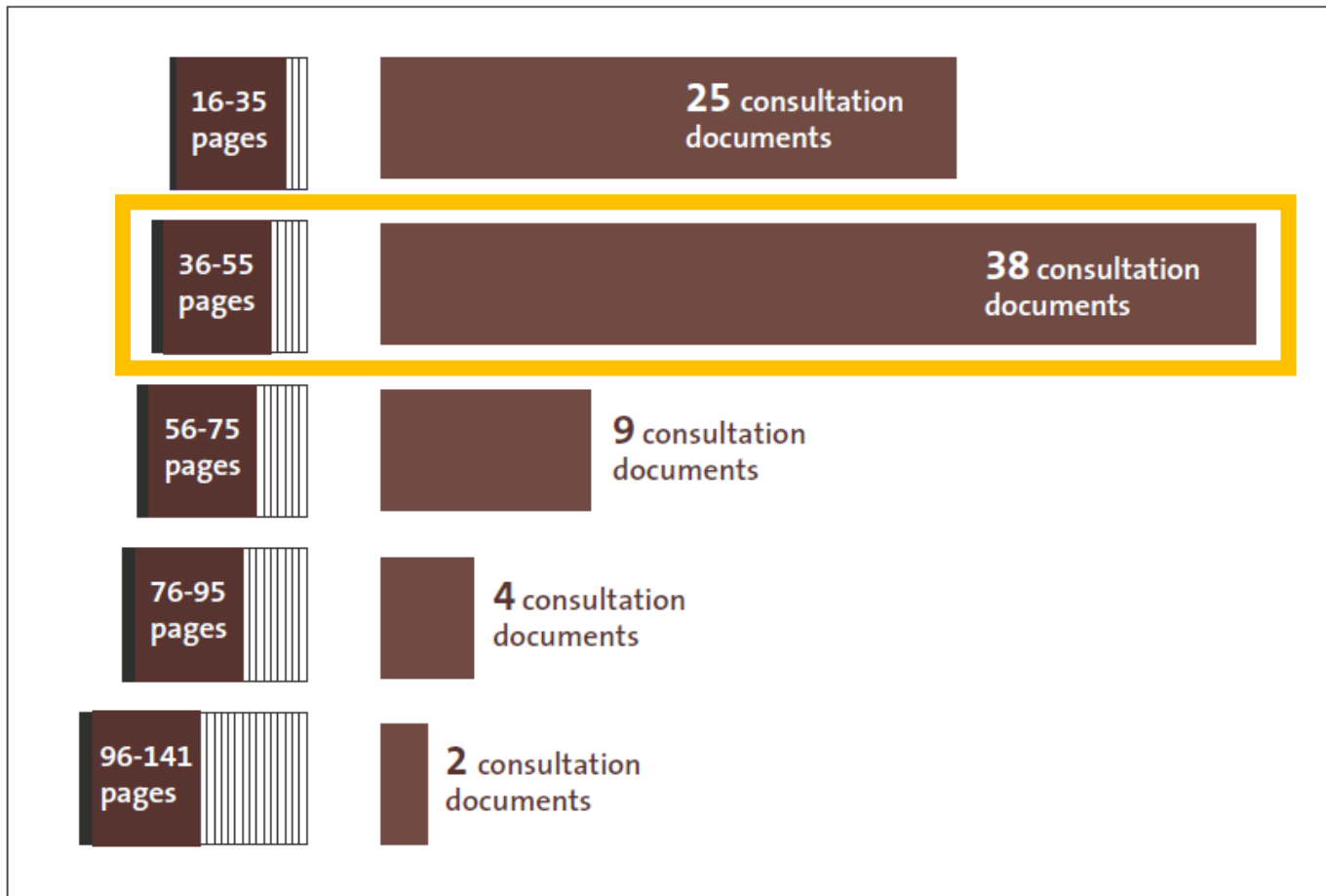
Addressing challenges are expected to increase council capital expenditure forecasts and will come at an increased cost to ratepayers.



# What we saw: longer consultation documents



The length of councils' 2021-31 consultation documents





# Our other observations



- Councils need to be mindful on how they explain rates increases.



- The ongoing impact of Covid-19 on councils was limited.



- Councils are continuing to take different approaches to encourage public participation.

# Our recommendation

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The Department of Internal Affairs and the local government sector review the consultation requirements for LTPs to ensure that the engagement process and content requirements of a consultation document remain fit for purpose.

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# The audit reports we issued

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Audit report issued	2021-31	2018-28	2015-25
Adverse	1	0	0
Qualified audit opinion ("except-for" opinion)	10	0	0
Unmodified audit opinion that included an emphasis of matter paragraph	60	7	6
Unmodified audit opinion that included an "other matter" paragraph	0	0	2
Standard audit report	7	70	70

# The major themes of our audit reports

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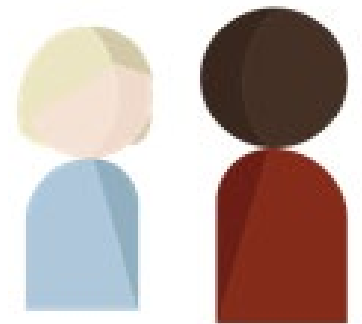
- Uncertainty over the proposed Three Waters Reform Programme.
- Uncertainty about the delivery of the proposed capital expenditure programmes.
- Uncertainty over asset condition and performance information used to inform renewal forecasts.
- Uncertainty over funding and financing assumptions.

# What next ... and other work of interest

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- Strategic supplier: Understanding and managing the risks of service disruption
- Update of audit committee guidance



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Management Report



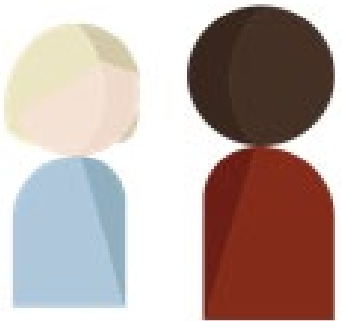
# Our observations on local government risk management practices

# Our process

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- Case studies of:
  - › Auckland Council
  - › Environment Canterbury
  - › Queenstown-Lakes District Council
  - › Waipā District Council
- Sent a survey to all other councils



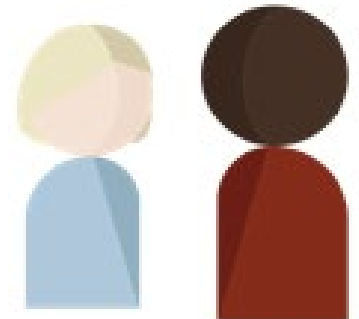


# What did we expect to see?

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- A risk management framework in place to identify, analyse, and monitor risks.
- Effective approaches in place to identify and manage risk, with effective oversight by elected members and appropriate involvement by their audit and risk committee.
- Regular formal reviews of their risk management practices that inform areas for improvement.
- Mechanisms for communicating with their communities about the risks they face and how they are managing those risks.



# What we found

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- Some councils do not currently have a formal risk management framework.
- Several examples of a strong risk culture.
- Many councils lack someone responsible for leading and monitoring risk management processes throughout their council.
- More could be done to support elected members.
- Specialist tools, such as quantitative risk assessment, could be more widely applied.

# The top risks identified by councils were wide-ranging



Councils were asked to name their number one risk ...



**11** councils

Health and  
safety



**6**

Climate  
change



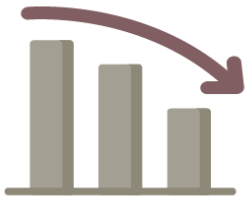
**4**

Cybersecurity  
/ info systems



**4**

Emergency management /  
Business Continuity Planning



**4**

Asset failure



**3**

Staffing capability  
or retention



**2**

Financial management/  
sustainability



**1**

Natural  
hazards



**1**

Asset management

# Recommendations

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- Councils prioritise putting in place a formal risk management framework if they do not have one.
- That elected members get the training and support that they need to carry out their risk management roles and responsibilities.
- Consider using more sophisticated techniques for identifying and managing risks on key programmes of work, such as quantitative risk assessments.
- Councils assess their desired level of risk management maturity and prepare a clear plan to achieve this. Regular formal reviews of their risk management practices should be carried out to inform progress and identify areas for improvement.

# Observations from case studies

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- Tailored risk management framework.
- Policies and processes were in place.
- Embedding risk into reports to governors.
- A framework for understanding risk management of CCOs.
- Use of risk champions.
- Accessible risk resources.
- Oversight by audit and risk committee (ARC).



# Observations from case studies

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- “Top risk” workshop with ARC and leadership team.
- Embedding climate change into current and future risk context.
- Strong health & safety focus.
- Maturity assessments undertaken and used to inform improvements required.



Thank you!

